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In the Supreme Court of the United States

OCTOBER TERM 1972

CASE NO. 72-577

CAWY BOTTLING CO., INC.

Petitioner,

vs.

MALTINA CORPORATION and
JULIO BLANCO-HERRERA,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit.

LOPEZ, HANNON & HARRIS
Attorneys for Petitioner
202 Roberts Building
28 West Flagler Street
Miami, Florida 33130

October 10, 1972

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OPINIONS AND ORDERS

On January 13, 1971, the United States District Court for the Southern District of Florida, the Hon. Charles B. Fulton presiding, rendered its opinion and judgment for Petitioner herein.

The Judgment of the District Court was appealed and on May 23, 1972, the United States Court of Appeals entered its Final Judgment. A timely Petition for Rehearing en Banc was filed by Petitioner. Said Petition was denied on July 11, 1972.

JURISDICTION

This Court's jurisdiction is invoked pursuant to 28 U.S.C. 1254 (1) and 28 U.S.C. 2101 (f).

QUESTIONS PRESENTED

1. Whether the Court of Appeals, upon reversing the District Court, violated the mandate of this Court in SABBATINO vs. BANCO NACIONAL DE CUBA, by holding that a dissolved Cuban corporation, six (6) years after such dissolution by Cuban Law 690 had standing to execute an assignment conveying its rights on a trademark.

2. What is the period of time, if any, within which a dissolved Cuban company shall be allowed to execute valid acts on a "de facto" basis, upon the showing of blatant noncompliance with local statutes nor intent to so comply therewith.

We respectfully submit that the case at bar presents several important issues which have been resolved in diverse ways by trial courts resulting in uncertainty as to the applicable doctrine and law of the land. Is SABBATINO the controlling law with respect to the ACT OF STATE doctrine? This issue is more important when the facts do not fall within the intent of Congress to amend the reach of the Supreme Court mandate.

I

STATEMENT OF THE CASE

1. THE PARTIES:

(a) Respondent, MALTINA CORPORATION, is a Florida corporation formed in the year 1963 by Julio Blanco-Herrera and his wife. The purpose of this corporation was, as disclosed by the facts at time of trial of the cause, to distribute a malt beverage known as MALTA REGAL [Memorandum decision by the court at page 4 thereof].

(b) Julio Blanco-Herrera was President of a Cuban corporation known as NUEVA FABRICA DE HIELO S.A. until the time of confiscation by the Cuban government on October 13, 1960.

(c) NUEVA FABRICA DE HIELO S.A. was a Cuban corporation formed and heretofore existing under Cuban Law; all of its shareholders were citizens of Cuba

at the time of, and after, confiscation. All such shareholders were domiciled in the Republic of Cuba.

(d) Petitioner CAWY BOTTLING CO., INC., is a Florida corporation.

2. SEQUENCE OF EVENTS:

On October 19, 1967, CAWY BOTTLING CO., INC. filed an application in the United States Patent Office to register the trademark "CRISTAL" Serial No. 283,373. This application was refused on the basis of a prior Registration No. 652,217 by NUEVA FABRICA DE HIELO S.A., dated **September 24, 1957.**

On October 26, 1967, CAWY BOTTLING CO., was granted a certificate of registration by the Secretary of State of the State of Florida covering the trademark "MALTA CRISTAL," which Petitioner herein had adopted prior thereto.

On February 12, 1969, CAWY BOTTLING CO., INC. filed a Petition for Cancellation No. 9316 against MALTINA CORPORATION, alleged successor in title to Nueva Fabrica de Hielo S.A., the Cuban company.

On March 10, 1969, Petitioner herein filed a Complaint in the Circuit Court in and for Dade County, Florida, Case No. 69-4138, seeking injunctive relief.

On April 25, 1969, Maltina Corporation answered Petition for Cancellation in the United States Patent Office.

Upon stipulation, all proceedings were stayed and Respondent was allowed to file an action in the United States District Court for the Southern District of Florida, Case No. 69-588-Civ-CF, in order to resolve all issues in the federal forum.

On December 30, 1969, the court, by and through the Honorable C. B. Fulton, Judge, entered an Order of Dismissal against Maltina Corporation and submitted its Findings of Fact.

Respondents herein were allowed to refile their Complaint. The trial commenced on October 12, 1970, and a Final Judgment was entered by the District Court on January 13, 1971. A Memorandum Opinion serving as Findings of Fact and Conclusions of Law was submitted by the District Court on January 8, 1971. The Final Judgment held, among other things, that the assignment made by Julio Blanco-Herrera as president of Nueva Fabrica de Hielo S.A. approximately five (5) years after the company's confiscation was invalid and that Registration No. 652,217 be cancelled.

II

STATEMENT OF FACTS

Petitioner adopts the facts as stated in the Memorandum Opinion rendered by the United States District Court for the Southern District of Florida:

1. "The parties were able to agree, both in the pretrial stipulation and at trial, upon much of the factual background of this dispute. The Plaintiff Maltina Corporation, claims to be a successor in interest to a Cuban corporation, Nueva Fabrica de Hielo S.A., which did business as Cerveceria La Tropical, producing and distributing beer and malta from 1885, until its assets were confiscated by Cuban Law No. 890, on October 13, 1960. The Plaintiff, Julio Blanco-Herrera, was president of Nueva Fabrica de Hielo S.A., from approximately 1954 until the confiscation.

2. "Nueva Fabrica de Hielo S.A., manufactured beer and cereal malt beverages at its Tropical Brewery. The company used the trademarks "Cristal," "Tropical," "Tropical 50," and "Malta Cristal." The beverages were distributed throughout Cuba, and from 1955 until the 1960 confiscation were exported in substantial quantities to Florida and other parts of the United States.

3. "One of the main Cristal products was a Malta. "Malta" is a Spanish word denoting a dark brown, non-alcoholic carbonated beverage flavored with malt and brewed somewhat as beer. Nueva Fabrica de Hielo S.A. registered the trademark "CERVEZA CRISTAL & Design" in the United States Patent Office on September 24, 1957.

4. "A controlling 55% interest in the corporation was owned by the family of the president, Julio Blanco-Herrera. The remaining principal stockholders were the Gelats family, who held about 15% of the stock. The corporation had an Executive Committee which governed its day to day operations. At the time of the confiscation, this committee consisted of the following persons:

Julio Blanco-Herrera, President.

Ramon Blanco-Herrera, First Vice-Pres.
(Uncle of Julio Blanco-Herrera)

Narciso Macia, Second Vice-President.
(Uncle of Julio Blanco-Herrera)

Cosme Blanco-Herrera, 3rd. Vice-Pres.
(Cousin of Julio Blanco-Herrera)

Dr. Antonio de la Carrera, Secretary
and General Counsel.

Jose Hevia, Inspector General of Brewery.

Rafael Baguer, General Manager.

This Executive Committee reported to a Board of Directors, but the committee has substantial control over daily operations of the business.

5. "On October 13, 1960, the Cuban government confiscated all assets of Nueva Fabrica de Hielo S.A. Later that month, under mounting political pressure exerted by the Castro regime, Julio Blanco-Herrera and the entire Executive Committee, except Ramon Blanco-Herrera, fled to the United States. Ramon Blanco-Herrera was ill and remained in Cuba until his death.

6. "Sometime during 1961 the Executive Committee met in this country to discuss the affairs of Nueva Fabrica de Hielo S.A. At this meeting certain remaining assets of the company were discussed including a small account with the Morgan Trust Company of New York, an account in The First National Bank of New York and a debt owed

by a company Owens-Illinois, Illinois. These monies were subsequently recovered and placed in the Dade Federal Savings & Loan Association of Miami. The committee discussed the U.S. trademark and decided to attempt to retain ownership and use of the mark because of the great influx to this country of Cuban nationals who are familiar with the Cristal labels. The committee decided to attempt to obtain the backing of a responsible brewery which would lend its support to a malta made with the Cuban company's formula.

7. "Through a mutual friend, Julio Blanco-Herrera was introduced to Jerry Hoffberger, President of National Brewing Company, in 1961 or 1962 at a time when that Company had just acquired the Regal Brewery of Miami and was taking over operation of the brewery. Blanco-Herrera proposed that the Regal Brewery produce a malta using the Cristal formula and label and was informed that this proposal would have to be considered by the National Brewery Company's main office in Baltimore, Maryland.

8. "Sometime during 1962, Dr. Antonio de la Carrera, as General Counsel for Nueva Fabrica de Hielo S.A., informed the Executive Committee that the trademark "CERVEZA CRISTAL" registered in 1957, would shortly need to be renewed under the provisions of 15 U.S.C. §1058(a), which provides as follows:

> Each certificate of registration shall remain in force for twenty years: **Provided,** That the registration of any mark under the provisions of this Chapter shall be canceled by the Commissioners

> at the end of six years following its date, unless within one year next preceding the expiration of such six years the registrant shall file in the Patent Office an affidavit showing that said mark is still in use or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark. Special notice of the requirement for such affidavit shall be attached to each certificate of registration.

9. "Upon the advice of a Washington, D.C. firm which had traditionally handled the corporation's trademarks, the Executive Committee had labels for their products "Malta Cristal and Cerveza Cristal" printed in Miami. Also on advice of counsel, Blanco-Herrera executed an affidavit dated June 6, 1962, stating that the trademark "Cerveza Cristal & Design" was still in use at that time and owned by Nueva Fabrica de Hielo S.A. doing business as Cerveceria La Tropical. Blanco-Herrera testified that he signed the affidavit on advice of counsel without reading it. He testified that when one signs a continuation of a trademark registration in Cuba it does not involve use of the trademark and that counsel did not explain the meaning of the affidavit to him.

10. "Late in 1962, Blanco-Herrera was contacted by Cecil Somerall, manager of Regal Brewery, who requested him to take charge of the distribution of a new product to be called "Malta Regal". Blanco-Herrera renewed his proposal that the Cristal label be used, but was informed that he must supply $25,000 before National Brewing Company would support production of a brand name not its own. Blanco-Herrera undertook to raise the needed

$25,000, but in the meantime, during 1963, **he assumed charge over distribution of Malta Regal, which position he still retains.** [Emphasis added] Also during 1963, Blanco-Herrera and his wife formed the Maltina Corporation to distribute Malta Regal. The Blanco-Herreras owned all stock of Maltina Corporation except one share. Blanco-Herrera and Dr. de la Carrera testified that the Executive Committee of Nueva Fabrica de Hielo **believed that the Cuban corporation could not function legally** [Emphasis added] **in the United States.** Therefore, to preserve the Cristal trademark, Blanco-Herrera, as President of the Cuban corporation, assigned the mark, together with the goodwill of the business to Maltina Corporation. This assignment was recorded at the United States Patent Office October 22, 1965.

11. "While marketing "Malta Regal," Blanco-Herrera continued his efforts to find backing for Malta Cristal both from National Brewing Company and other sources. Among others, an attempt was made to secure help from Jacks Brewery in New Orleans, Louisiana. During the period from 1965 to 1967, similar efforts were made with a group of investors from Costa Rica. In 1967, Robert W. Kroeger, then Manager and now Vice-President of National Brewing Company, became interested in Blanco-Herrera's efforts to produce a malta under the Cristal label. National Brewing Company undertook a study of Blanco-Herrera's proposals which ultimately resulted in production of malta by National Brewing Company under the Cristal label in January of 1969. **Blanco-Herrera testified that from the time he came to this country in late 1960 until he produced a malta under the Cristal label in January 1969,** he never had any intention to abandon the trademark, but instead made every effort to market

his product as expeditiously as possible without sacrificing its quality.

12. "Vicente Cossio, as President of Defendant Cawy Bottling Company testified that, before producing a malta under the Malta Cristal label, his group undertook to discover whether that label was being used in the market and ascertained that it was not. In October, 1967, Cawy attempted to register the mark with the United States Patent Office, but the application was rejected because of Plaintiffs' prior registration. Cawy did succeed in having the trademark "Malta Cristal" registered in the office of the Secretary of State of Florida on October 26, 1967. Cossio testified that the Cawy malta product was first marketed in February, 1968. On February 12, 1969, Cawy filed a Petition with the United States Patent Office seeking to have Plaintiffs' registration cancelled. Maltina Corporation answered this petition, but upon stipulation of all parties, those proceedings were stayed so that a federal lawsuit could be filed and resolved.

13. "The Defendant, in effect, concedes that Plaintiffs' original 1957 U.S. Trademark "Cerveza Cristal & Design" was valid. Ordinarily, such a mark and the Plaintiffs' right to exclusive use thereof would have become incontestable September 24, 1962, five years from the registration date. 15 U.S.C. § 1065. However, such a trademark can be contested by a verified petition to cancel the registration on the grounds that it has been abandoned or was obtained fraudulently. 15 U.S.C.§ 1064. In addition, the United States District Courts have jurisdiction to determine disputes such as this, involving, among other issues, the validity of the registration."

III

ARGUMENT AND QUESTION PRESENTED

Petitioner respectfully submits to this honorable court that the trial judge correctly interpreted the main issue when he held, "The corporation was a product of Cuban law and had been dissolved by Cuban law; therefore, having no corporate existence it could not make a valid assignment. This would be true even if a United States trademark were a **res** whose situs could never leave this country, **since it is not the existence of the thing owned which is here drawn in question, but rather the existence of the owner.**" [Emphasis added] At page 10 of the Memorandum Opinion.

Such eminently correct ruling is the answer and holding to the controlling issue as framed by Petitioner herein upon trial of the cause, to-wit:

> "Whether or not, an assignment executed by a dissolved, expropriated or confiscated Cuban corporation, organized and existing theretofore, pursuant to the laws of Cuba, and of which all of its shareholders were at the time of dissolution, expropriation or confiscation, Cuban citizens, over five (5) years subsequent to such dissolution, expropriation or confiscation, constitutes a valid assignment entitled to full faith and credit by the courts of the United States."

We respectfully submit that the assignment was a nullity and of no force and effect and that the ruling of the trial judge should not be disturbed.

This issue was probed in depth by the trial court:

"The first defense is based upon the theory that Nueva Fabrica de Hielo S.A., was dissolved by the effect of Cuban Law No. 890, and thereby rendered incapable of making a valid assignment of the Cristal trademark to Plaintiffs. Counsel for both sides have submitted a copy of this law and a stipulated English translation for use in this case. Law 890 begins with a lengthy revolutionary policy statement and continues, in pertinent part, as follows:

> **Article 1.** The nationalization, through forced expropriation, of all commercial and industrial enterprises, as well as factories, warehouses, depositories and other goods and rights incorporated in them, which are owned by the following natural and juridic persons, is ordered:
>
> * * *
>
> **GROUP "C"**
>
> **Alcoholic Beverages**
>
> 1. Cia. Ron Bacardi S.A.
> 2. Cerveceria Modelo S.A.
> 3. Cerveceria Central S.A.
> 4. Cia. Cerveceria International S.A.
> 5. Nueva Fabrica de Hielo S.A.
> 6. Cia. Cervecera de las Antillas S.A.
>
> * * *

Article 2. All the goods, rights and choses in action of the enterprises listed in Article One of this law are adjudicated, thereof, in favor of the Cuban State, transferring all their assets and liabilities, and consequently the State is declared as subrogated in the place and stead of the natural or juridic persons owners of the referred to enterprises.

* * *

Article 7. The means and forms of payment of the indemnification that belongs to the natural or juridic persons affected by the expropriation ordered by this law shall be regulated through an ulterior law.

To that effect, the Central Committee on Planification shall present to the Council of Ministers, within the shortest possible term, the corresponding bill."

* * *

At a hearing on the Motion of the defendant for Summary Judgment, Mario Goderich was presented by the defense as a witness with an expertise in Cuban law. Goderich was a qualified lawyer in Cuba and is currently licensed to practice law in Florida. He is Head Librarian for the University of Miami School of Law. This witness testified that the purpose and legal effect of Cuban Law No. 890 was to transfer all assets of the corporations affected to the Cuban government. This has the further

legal effect under Article 221 of the Commercial Code of Cuba of dissolving the corporations, since under that Code, a corporation is dissolved by total loss of capital. Goderich testified that a corporation has no rights whatever under Cuban law after such a confiscation. Its Officers and Directors retain no powers as all corporate rights become vested in the Cuban government. [At pages 7, 8 and 9 of the Opinion]

It is undisputed that the law of a foreign country may be proved as fact by a witness familiar with it. **Strickland vs. Humble Oil and Refining Co.**, 140 F.2d 83 (5th Circuit 1944). The mere opinion of a witness will not control the trier of the facts and the weight of expert opinion testimony, even if uncontroverted, is for the facts "except to the extent that it is a reasonable inference from statute or from precedent or from the implications of a legal concept, such as contract or testament or juristic personality." **Petrogradsky Mejunarodny Kommerchesky Bank v. National City Bank of New York**, 243 N.Y. 23, 170 N.E. 479, 483 (1930).

In the case at bar, the trier of facts weighed the evidence, determined the credibility and qualifications of the witnesses, and ruled in favor of Petitioner.

Undoubtedly, the testimony of all witnesses was considered by the court as the trier of the facts. The probability that Respondents' expert witness was interested in the outcome of the trial also must have been considered. Dr. Antonio de la Carrera, Respondents' expert witness who allegedly testified as to the law of Cuba, was not only a Director of Nueva Fabrica de Hielo S.A., Re-

spondents' predecessor in title, but he was also one of the seven members of its executive committee, an officer and General Counsel. Furthermore, nowhere does Respondent's brief in their appeal to the Fifth Circuit cite any testimony of its expert witness as to the applicable Cuban laws. **Nowhere is testimony of Respondent's witness cited as to the effect of the Cuban nationalization of all property vis-a-vis the Commercial Code of Cuba, Article 221, and the dissolution of Nueva Fabrica de Hielo S.A.**

Even if it should be conceded that different conclusions might be drawn from the evidence before the trial court, if the conclusion reached is reasonable, it will not be disturbed on appeal. The question as to what conclusion should be drawn is for the trial court and not the appellate tribunal. **Gunning vs. Cooley,** 281 U.S. 90, 50 S.Ct. 231, 74 L.Ed. 720 (1930); **U. S. vs. Ingalls,** 114 F.2d 839 (C.A.D.C. 1940). The weighing of evidence and adjudging the credibility of witnesses are matters peculiarly within the province of the trier of fact; the reviewing court will accept the ultimate facts as found by the trier of facts. **Helvering vs. Johnson,** 104 F.2d 140, (8th Cir. 1939).

In view of the foregoing, Petitioner respectfully asks that the facts found and the conclusions reached by the trial court not be disturbed, as the Court's determination of the applicable Cuban laws is not inconsistent with the plain meaning of such laws.

IV

CASES MUST BE DISTINGUISHED

Respondents have relied heavily upon the "Bacardi" and "Tabacalera" cases, and cling to the theory that the dissolved Cuban corporation continued to exist in the United States after confiscation. Petitioner submits that such position is untenable:

1. Cia. Ron Bacardi S.A. vs. Bank of Nova Scotia.

No appellate forum has ever passed upon the issues presented in the above case; it is therefore no authority.

(a) In the Bacardi case, immediately upon their arrival to the United States, a Board of Directors meeting was held in Miami, Florida. This meeting took place in November 25, 1960 (a little over one month after confiscation). A shareholders meeting was called for and did take place February 15, 1961, in the offices of the corporation at 595 Madison Avenue, New York City, at which meeting 97% of all the stock issued and outstanding was present.

(b) Bacardi further proceeded to qualify the Cuban Company under the laws of the State of New York, as early as February 20, 1961, to do business as the successor of the nationalized Cuban company.

(c) Bacardi continued to and did sell its products, uninterruptedly, in the United States market thereafter.

In **Merilaid & Co. vs. Chase National Bank,** 189 Misc. 285 (1947), Mr. Justice Koch was confronted with a factual situation almost identical with the facts of the Bacardi case. There the Plaintiff was a corporation organized under Estonian law which had funds on deposit with the Defendant bank in New York at a time just prior to the incorporation of Estonia into the Union of Soviet Socialist Republics. There was a nationalization decree. The Court, in holding that the Plaintiff corporation had a continuing corporate capacity, said (p. 287):

> "The Estonian Soviet Socialist Republic by its decree placed the Plaintiff corporation in jeopardy. The Directors and shareholders were forced to change the seat of the corporation in order to continue its business and conserve its assets. Irregularities in procedure in so doing are not enough to render their efforts void. All that could be done to conform to the usual formalities was done. A majority of the shareholders approved the transfer to Sweden. They acted on behalf of the corporation. The good faith of the Directors elected by them is not questioned. There is every indication that the Directors will continue to act in the best interests of the corporation. The corporation was continued in business and its property protected in the only manner feasible at the time. There conditions constitute the basis on which this court holds

that the Directors and shareholders were empowered to act as they did."

Although it must be noted that the corporate capacity in both Bacardi and the case cited supra is questionable, in view of the confiscatory and thorough language of the Cuban enactment, Bacardi undertook an honest and diligent effort to maintain the company's business. In the case at bar, Respondent's predecessor in title failed to make any effort during nine (9) years that would, perhaps, have entitled them to a certain degree of consideration based upon equitable principles. We submit that Bacardi can be distinguished on its facts rather readily.

2. F. Palicio y Cia, S.A. vs. Brush, 256 F.2d 481.

Before discussing the above case, Petitioner submits that the SABBATINO case is the controlling authority on this appeal and that the trial judge correctly ruled in the interpretation of the Supreme Court mandate.

SABBATINO

The case at bar raises an important question of conflict of law, that is: whether the acts of a sovereign as against and concerning its nationals, within its own territory and upon rights and tangibles thereof, constitutes a valid act of such sovereign, no matter how harsh or repugnant to other systems of law, but not in violation of recognized principles of international law, such an act or acts may be.

In the case at bar, Nueva Fabrica de Hielo S.A., a Cuban corporation organized and existing under the laws of Cuba, integrated by Cuban nationals, within the territory and jurisdiction of the Cuban State, was dissolved by operation of Law No. 890. The State, by virtue thereof, subrogated itself to its place and stead, thereby acquiring all rights theretofore vested on the dissolved company as specifically set out in Articles 1, 2, 5 and 6 of the enactment and fully terminating the corporate existence, precluding subsequent corporate acts by any of the dissolved entities.

It must not escape our inquiry that we are dealing with the acts of a sovereign, recognized at that time by the United States as a valid independent political system, concerning its nationals and property thereof.

Petitioner submits that an official act by the Cuban State expropriating the assets, assuming the liabilities and dissolving the juridical entity [Nueva Fabrica de Hielo S.A.] deprives such entity of life. It would logically follow that the non-existing Cuban corporation lacked the capacity to assign that which it did not own any longer.

The first U.S. Supreme Court case dealing with the issue supra is **Banco Nacional de Cuba vs. Sabbatino**, 84 S. Ct. 923 (1964), and the holding of the Court is clear in that:

> "The Act of State Doctrine in its traditional formulation precludes courts of this country from inquiring into the validity of the public acts a recognized foreign sovereign power committed within its own territory" and,

"Federal courts properly declined to determine if issuance of an expropriation Decree complied with formal requisites of Cuban law, in view of the fact that one nation must recognize the act of a sovereign power of another, so long as it has jurisdiction under international law, even if it is improper according to the international law of the latter State."

"The judicial branch will not examine the validity of the taking of property within its own territory by a foreign state government, extant and recognized by the United States at the time of suit, in the absence of a treaty or other unambiguous agreement regarding controlling legal principles, even if the complaint alleges that the taking violates customary international law, and even if an alleged combination of retaliation, discrimination and inadequate compensation makes it patently clear that an expropriation was in violation of international law."

As expounded by the Court in Sabbatino, supra, the recognition by American Courts of the Act of State doctrine has historical roots in our jurisprudence. The classic statement of the Act of State doctrine which appears to have taken root in England as early as 1674, **Blad vs. Bamfield,** 3 Swans 604, 36 Eng. Rep. 992, and began to emerge in the jurisprudence of this country in the late eighteenth and early nineteenth centuries, see e.g., **Ware vs. Hylton,** 3 Dall. 199; 1 L. Ed. 568, is found in **Underhill vs. Hernandez,** 168 U.S. 250, pp. 252 and 253, 18 S. Ct. 83, at pg. 84, where Chief Justice Fuller said for a unanimous Court:

> "Every sovereign state is bound to respect the independence of every other sovereign state, and the courts of one country will not sit in judgment on the acts of the government of another done within its territory. Redress of grievances by reason of such acts must be obtained through the means open to be availed of by sovereign powers as between themselves."

The Supreme Court of the United States in its decision of the Sabbatino case, supra, which we respectfully submit to be the law of the land concerning the Act of State doctrine as modified later by the Hickenlooper Amendment (discussed hereafter) refused to review the pronouncements of the Cuban government, within its own territory, in strict adherence to well settled principles of international law.

The net effect of Sabbatino, as amended, is to deny corporate existence to all such corporations as have been expropriated, dissolved or confiscated by international acts of sovereign states, by refusing to sit in judgment of another country's legal acts.

Following the Sabbatino case, the Congress of the United States, well within their power conferred by the Constitution with respect to limiting the jurisdiction of the Supreme Court, and particularly in matters dealing with foreign policy, enacted the so called HICKENLOOPER AMENDMENT, Foreign Assistance Act of 1964, 22 U.S.C. § 2370 (e) (2).

It is germane at this point to analyze the intent of the legislature to determine whether or not such an Act plays any role in the instant case. We think it does not.

The Foreign Assistance Act of 1964, in its applicable part provides:

> "(e) The President shall suspend assistance to the government of any country to which assistance is provided under this Chapter or any other Act when the government of such country or any government, agency or subdivision within such country **or on after January 1, 1962,** [Emphasis added]
>
> (1) Has nationalized or expropriated or seized control of property owned by United States citizens or by any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens, or
>
> (2) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen, or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens, or"

In view of the foregoing, the question of the applicability of the Hickenlooper Amendment to the Sabbatino holding is limited and amendatory when contrary to the Congressional enactment only.

> (1) The Act is made retroactive to all takings subsequent to January 1, 1962, but not to any such act by a foreign state prior thereto.

(2) The Act is intended to retaliate against pronouncements by foreign governments, agencies and subdivisions thereof, to the injury or detriment of **"United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens."**

(3) The Amendment does limit and confers jurisdiction upon the courts of this land to look into decrees or laws by foreign states, only when U.S. interests are affected thereby, **which is not the case at bar.** To the foregoing extent it should be conceded that the Sabbatino holding, supra, has been modified and that the acts of foreign governments inconsistent with the Amendment may be reviewed by United States Courts. However, the Congress is clear in its intent not to disturb the Sabbatino case beyond the frame of American interest.

The F. Palicio Case, supra, although not controlling upon this court, went on to clarify to some extent the Congressional Amendment in question which modified portions of the mandate of the Supreme Court in Sabbatino, but which did not modify the holding thereof in its entirety. The court here sustains, and rightly so, that the Hickenlooper Amendment does not apply to cases in which an act of a foreign state is not contrary to international law. The court finds that:

"The acts of a state, directed against its own nationals, do not give rise to questions of international law."

"Acts of State of Castro government which took over, without compensation, assets and property of Cuban cigar manufacturers were not in violation of principles of international law, and hence the takings were not within purview of the Hickenlooper Amendment to Foreign Assistance Act of 1964, fashioning an exception to Act of State doctrine in cases of a confiscation or other taking after January 1, 1962 by an act of a foreign state in violation of principles of international law, including principles of compensation where manufacturers were Cuban business entities organized under Cuban law, and doing business in Cuba, where plants and assets were on Cuban soil and their operations were conducted there." **The Foreign Assistance Act of 1961, § 620 (e)(2) as amended 22 U.S.C. § 2370 (e)(2).**

The case of **Tabacalera Severiano Jorge S.A. vs. Standard Cigar Co.**, 392 F.2d 706 (5th Cir. 1968) was distinguished by this honorable court in that intervention is much less than confiscation and therefore we submit that such is not the issue at bar.

Respondents have raised the argument before the Fifth Circuit:

"C. Cuban Law No. 890 did not dissolve Nueva Fabrica de Hielo S.A., through operation of the Commercial Code of Cuba, since it did not have extraterritorial effect as to assets located outside of Cuba and within the United States."

In connection herewith, we respectfully submit that the extraterritorial effect of the Cuban act has not been drawn in question. We respectfully remit this honorable court to the pronouncements of the trial judge **"since it is not the existence of the thing owned which is here drawn in question, but rather the existence of the owner."** [At page 10 of the Opinion].

We further call to the attention of this court the statements by Respondents [At page 30 of their brief to the Fifth Circuit] **"It is therefore contended that since the assets of Nueva Fabrica de Hielo S.A., located within the United States, were not affected by Cuban Law No. 890, there can be no dissolution of said corporation by operation of the Commercial Code of Cuba."**

We respectfully submit that the contention of Respondents is unsound both at law and in fact. Respondents would have the court believe that because a corporation may own assets in foreign lands it could not be dissolved.

In response to the issue raised by Respondents in the Fifth Circuit:

> "3. If the dissolution of a corporation under Cuban law is given extraterritorial effect of dissolving the corporation in the United States, what disposition is made of the corporation's assets in the United States."

The U.S. Court of Appeals for the Third Circuit, while deciding the case of **Anheuser-Busch, Inc. vs. Du-Bois Brewing Co.,** 175 F.2d 370, held,

> "A trademark is not a right in gross or at large like a patent or copyright, but is a means merely for facilitating protection of one's good will."

The same court, on July 12, 1949, decided the **Browning King Co. of New York vs. Browning King Co.**, 176 F.2d 105, and held,

> "When a company goes out of business, goodwill is destroyed and trademark is abandoned, and no rights arise by succession from a later sale of the goodwill as a separate item; and any new rights in the name must be re-established by the new user."

the same court reaffirmed an old principle of trademark law when it held,

> "where a tradename has been abandoned, it lies in the public domain; and any one is entitled to use it, subject to the qualification that there must not be any deception of the public as to the identity of the merchant with whom customers do business."

Petitioner submits that the tradename "CRISTAL" upon dissolution of Nueva Fabrica de Hielo S.A. went into public domain. Petitioner further points out to this court that Nueva Fabrica de Hielo S.A. was never a United States corporation in the sense that it never qualified to do business in the United States or any of the States of the Union. Therefore, there was nothing to dissolve within the United States, as alleged by Respondents at page one of their brief to the Fifth Circuit.

OPINION OF FIFTH CIRCUIT

The Court of Appeals reversed and remanded. Its opinion is herein set forth, as follows:

Before WISDOM, COLEMAN and SIMPSON,
Circuit Judges.

WISDOM, Circuit Judge: In this appeal former owners of a Cuban brewery confiscated by the Castro regime seek to preserve their right to use the United States trademark registered in the name of the confiscated brewery. These efforts met with failure in the district court. The court held that the Act of State Doctrine deprived the former owners' assignee of standing to sue. **We hold that the district court applied the Act of State doctrine more broadly than prior decisions allow.**

I.

The plaintiff, Maltina Corporation, allegedly is a successor in interest to a Cuban Corporation, Nueva Fabrica de Hielo, S.A. ("Nueva Fabrica"). Nueva Fabrica produced an distributed beer and a "malta" from 1885 until its assets were confiscated by Cuban Law No. 890, on October 13, 1960. "Malta" is a dark brown, non-alcoholic carbonated beverage flavored with malt and brewed somewhat as beer. Nueva Fabrica registered for its Malta the trademark "Cerveza Cristal & design" in the United States Patent Office in 1957.

The family of Nueva Fabrica's President, Julio Blanco-Herrera, **owned a controlling 55 per cent of the** shares of the corporation. The remaining principal stockholders were the Gelats family, who held about 15 per cent of the stock. All but a single member of the Executive Committee of the corporation, which governed its day to day operations, fled to the United States when the Cuban Government confiscated the assets of Nueva Fabrica.

As the district court stated: **"Sometime during 1961, the Executive Committee met in this country to discuss the affairs of Nueva Fabrica de Hielo, S.A.** At this meeting, certain remaining assets of the company were discussed including a small account with the Morgan Trust Company of New York, an account in the First National Bank of New York, and a debt owed by a company in Owens, Illinois. **These monies were subsequently recovered and placed in the Dade Federal Savings & Loan Association of Miami.** The committee discussed the U.S. trademark and decided to attempt to retain ownership and use of the mark because of the great influx to this country of Cuban nationals who are familiar with the Cristal labels. The committee decided to attempt to obtain the backing of a responsible brewery which would lend its support to a malta made with the Cuban company's formula." Julio Blanco-Herrera initiated such efforts on behalf of the Executive Committee.

During 1962, Dr. de la Carrera, General Counsel for Nueva Fabrica and a member of the Executive Committee, told the Executive Committee that the tradmark "Cerveza Cristal" would soon need to be renewed under

the provisions of the trademark law.[1] In circumstances not here relevant, Blanco-Herrera executed an affidavit on June 6, 1962, stating that the trademark "Cerveza Cristal & design" was still in use and owned by Nueva Fabrica. In 1963, Blanco-Herrera formed the **Maltina Corporation to distribute "Malta Regal", a product of the National Brewing Company. Because Blanco-Herrera and Dr. de la Carrera believed that Nueva Fabrica could not function legally in the United States, to preserve the "Cristal" trade mark,** Blanco-Herrera, acting as President of Nueva Fabrica, assigned the mark, together with the good will of the business, to Maltina Corporation. The assignment was recorded at the United States Patent Office on October 22, 1965.

After the purported assignment to Maltina, and while continuing to market Malta Regal, Blanco-Herrera continued his efforts to find backing for Malta Cristal. With Blanco-Herrera's participation, National Brewing Company produced a malta under the Cristal label in January of 1969. **Blanco-Herrera testified that from the time he came to the United States in 1960 until a malta was produced under the Cristal label in 1969, he never had any intention to abandon the trademark, but instead made every effort to market his product expeditiously without sacrificing its quality.**

---

[1]Each certificate of registration shall remain in force for twenty years: *Provided*, that the registration of any mark under the provisions of this chapter shall be cancelled by the Commissioner at the end of six years following its date, unless within one year next preceding the expiration of such six years the registrant shall file in the Patent Office an affidavit showing that the said mark is still in use or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark . . . .
15 U.S.C. §1058(a).

The President of the defendant Cawy Bottling Company testified that his company tried to discover whether the Malta Cristal label was in use in this country and discovered that it was not. In October, 1967, Cawy attempted to register the "Cristal" mark with the United States Patent Office, but the application was rejected because of the plaintiffs' prior registration. Cawy had the trademark "Malta Cristal" registered in the office of the Secretary of the State of Florida on October 27, 1967. The Cawy malta was first marketed in February, 1968. On February 12, 1969, Cawy filed a petition with the United States Patent Office seeking to cancel the plaintiffs' registration. Maltina Corporation answered the petition, but the parties stipulated that those proceedings be stayed pending a suit in federal court to resolve the underlying issues. Blanco-Herrera and Maltina filed this action against Cawy in the United States District Court for the Southern District of Florida on March 27, 1970, seeking injunctive, monetary, and other reilef from the defendant's alleged infringing activities. See 15 U.S.C. §§1114-1118.

At a hearing below on the defendant's motion for summary judgment, Mario Goderich, an expert on Cuban law, testified that the effect of Cuban Law 890 was to dissolve Nueva Fabrica de Hielo, S.A. Goderich based this conclusion on Article 221 of the Commercial Code of Cuba, which provides:

> Companies of any kind whatsoever shall be dissolved for the following reasons:
>
> * * *

(2) Entire loss of capital.

Goderich explained the provision in his testimony:

> Article 221 says that corporations of any kind whatever will be totally dissolved by the causes that follow, and in No. 2 it says, 'total loss of capital' — now, when there is a confiscation, of course, the corporation, as such, loses its capital totally to the Cuban Government, and because there is subrogation, and that's one of the reasons why there is a dissolution of the corporation.

The Court below took this testimony to be "virtually uncontradicted". It held Hielo to have been dissolved, and that the plaintiff — a crew without a ship — lacked any right to assign the "Cristal" trademark to Maltina. The court expressed distaste for the result it reached, but believed the result compelled by the Supreme Court's decision in **Sabbatino v. Banco Nacional de Cuba**, 1964, 376 U.S. 98, 85 S.Ct. 923, 11 L.Ed.2d 804. **We reverse.**

II.

The Act of State doctrine as set forth in **Sabbatino**, prevents the federal courts from sitting in judgment "on the acts of the government of another [country] done within its own territory", 376 U.S. at 416, quoting **Underhill v. Hernandez**, 1897, 168 U.S. 250, 252, 18 S.Ct. 83, 42

L.Ed. 456.[2] We are therefore foreclosed from considering the propriety of the Cuban Government's **expropriation of the assets of Nueva Fabrica de Hielo, S.A., accomplished by Cuban Law No. 890, at least as to those assets of Nueva Fabrica within the territorial confines of Cuba at the time of expropriation.**

At the same time, it is settled by a long line of cases that "our courts will not give 'extra-territorial effect' to a confiscatory decree of a foreign state, even where directed against its own nationals." **F. Palicio y Compania, S.A. v. Brush, S.D.N.Y. 1966, 256 F.Supp. 481, 488, aff'd mem., 2 Cir. 1967, 375 F.2d 1011; Tabacalera Severiano Jorge, S.A. v. Standard Cigar Co., 5 Cir. 1968, 392 F.2d 706, cert. den. 393 U.S. 924, S.Ct. , L.Ed.2d ; Compania Ron Bacardi, S.A. v. Bank of Nova Scotia, S.D.N.Y. 1961, 193 F.Supp. 814; Zwack v. Kraus Bros. & Co., S.D.N.Y. 1954, 93 F.Supp. 963, aff'd., 2 Cir. 1956, 237 F.2d 255.** Thus "foreign confiscatory decrees purporting to divest nationals and corporations of the foreign sovereign of property located in the United States uniformly have been denied effect in our courts. . . ." **Banco National de Cuba v. Sabbatino, supra,** 376, U.S. at 447, 84 S.Ct. 923,

[2]Our decision today makes it unnecessary for us to consider the applicability of the so-called "Sabbatino Amendment", 22 U.S.C. §2370(e)(2). This provision, also referred to as the "Second Hickenlooper Amendment", states that "no court in the United States shall decline on the ground of the federal act of state doctrine to make a determination on the merits giving effect to the principles of international law in a case in which a claim of title or other right to property is asserted by any party including a foreign state (or a party claiming through such state) based upon (or traced through) a confiscation or other taking after January 1, 1959, by an act of that state in violation of the principles of international law," with two provisos not applicable here. We express no view as to whether the "claim of title or other right to property" asserted by the defendant in the present case is "based upon or traced through" the confiscation by the Cuban Government of the assets of Nueva Fabrica.

11 L.Ed.2d at 834 (dissenting opinion of Mr. Justice White), citing, **e.g., Moscow Fire Ins. Co. v. Bank of New York**, 280 N.Y. 286, 20 N.E.2d 758, **aff'd sub nom. United States v. Moscow Fire Ins. Co.**, 309 U.S. 624, 60 S.Ct. 725, 84 L.Ed. 986.[1]

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[1]See Restatement (Second), Foreign Relations Law of the United States §43 (1965):

> (1) The [act of state doctrine] does not prevent examination of the validity of an act of a foreign state with respect to a thing located, or an interest localized, outside its territory if the act has not been fully executed in accordance with applicable law.
>
> (2) A court in the United States will give effect to an act of a foreign state of the type described in Subsection (1) only if to do so would be consistent with the policy and law of the United States.

Comment (a) under §43 states:

> (a) *Property in the United States.* If the act of a foreign state purports to affect property in the United States, the United States has jurisdiction under the rule stated in §17 to prescribe rules determining whether the act is to be fully executed, as in the case of reducing expropriated property to possession. The act of state doctrine stated in §41 becomes applicable only when and if the act has been fully executed. If the act cannot be executed under the applicable rules of conflict of laws and substantive law of the United States, there is no occasion to apply the act of state doctrine, and the courts have refused to do so.

The comment suggests that "full execution" of an act of state for purposes of determining the applicability of §43 refers to full exercise by the foreign state of dominion over the property in question, not to the documentary execution of whatever legal action the foreign state takes toward the property or its own national. Thus, as we read the illustration, it looks not to execute of a nationalization decree, but rather to exercise of dominion over real property located in the United States. There having been no "reduction of the expropriated property to possession," the rule of §43 is applicable and the act of state doctrine is not:

> State A issues a decree nationalizing property of X, a national of A. The property includes real estate in the United States. In a suit in a court in the United States, X challenges the right of Y, to whom A has assigned the real estate. The act of state doctrine will not be applied.

We also accept the proposition, not seriously questioned in recent years, that "trademarks registered in this country are generally deemed to have a local identity — and situs — apart from the foreign manufacturer." F. Palicio y Compania, supra, 256 F.Supp. at 491; Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena, S.D.N.Y. 1968, 293 F.Supp. 892, 896, modified on other grounds, 2 Cir. 1970, 433 F.2d 686; Zwack v. Kraus Bros. & Co., 2 Cir. 1956, 237 F.2d 255; Baglin v. Cusenier Co., 1911, 221 U.S. 580, 596, 31 S.Ct. 669, 55 L.Ed. 863. Thus the precise question raised by the present case is whether a foreign sovereign's dissolution of its own corporation is dispositive of the corporation's power to exercise dominion over assets located within the United States simply because the dissolution of the corporation is an "act of a foreign state, done within its own territory"; or whether the foreign sovereign's action is to be treated as a foreign decree governing property located within the United States and therefore to be recognized only if consistent with our policy and laws. Prior decisions uniformly espouse the latter position. In Zwack v. Kraus Bros. & Co., supra, the Second Circuit permitted the members of a confiscated Hungarian partnership to sue for damages and injunctive relief for infringement of trade names registered in the United States. In Baglin v. Cusenier Co., supra, the Supreme Court held that the Superior General of the Order of the Carthusian Monks could sue in the United States to protect the trademark "Chartreuse", despite action by the French Government dissolving the Order and seizing its property in France. Compania Ron Bacardi, supra, involving a Cuban corporation expropriated by the very same Cuban Law — No. 890 — before us, held that the directors and "the large majority of the shareholders" of Bacardi could sue in our courts to preserve assets lo-

cated here. Indeed, we, too, have addressed ourselves to the problem of the effect of dominion over American assets to be given foreign decrees modifying or terminating the powers of a foreign corporation.

In **Tabacalera Severiano Jorge, S.A. v. Standard Cigar Company, supra,** Severiano Jorge sued on behalf of the "intervented" corporation and on his own behalf as assignee of the corporation to recover $100,000 from Standard. The money represented the purchase price of tobacco sold and delivered to Standard (of Tampa, Florida) a few months before the Cuban Government "intervened". The district court denied recovery, reasoning that 1) the acts of the Cuban Government had withdrawn from the Corporation and its officers and directors the right to collect corporate debts and 2) the Act of State doctrine precluded our federal courts from questioning this action of the Cuban Government.

We reversed, holding, first, that careful consideration of the acts of the Cuban Government revealed it had taken no steps to interfere with **Tabacalera's** attempts to collect moneys owing it in Tampa, Florida. **The intervention,** we said, created **"a limited temporary receivership which did not attempt to cancel an outstanding power of attorney" vested in Severiano Jorge,** 392 F.2d at 714. But, perhaps out of concern lest we suggest that more drastic action by the Cuban Government would deprive Jorge of his right to sue, we did not limit our holding to the restricted scope of the Cuban "intervention". Alternatively, we concluded that

> in light of the fact that the government of Cuba did not have physical control over the species

> of property represented by this claim against Standard Cigar Company, it would not be a violation of the Act of State doctrine for the courts to hold that, **had the Cuban Government taken all of the steps that its unlimited power would have permitted it to take,** such conduct by the Cuban Government would not be recognized by **the United States Courts.** (Emphasis added.)

392 F.2d at 714. We noted that "in the **Sabbatino** case the **res** that was subject to confiscation by the Cuban Government was physical property present in Cuba; whereas the **res** here is a credit owed by an American company in Tampa, Florida." Id. We then explained the basis for our alternative holding:

> The underlying thought expressed in all of the cases touching on the Act of State Doctrine is a common-sense one. It is that when a foreign government performs an act of state which is an accomplished fact, that is when it has the parties and the **res** before it and acts in such a manner as to change the relationship between the parties touching the **res**, it would be an affront to such foreign government for courts of the United States to hold that such act was a nullity. Furthermore, it is plain that the decisions took into consideration the realization that in most situations there was nothing the United States Courts could do about it in any event.
>
> In the case before us, it cannot be doubted that whatever may be the ordinary concept of **the situs of a debt, the government of Cuba was**

> not physically in a position to perform a **fait accompli** in the nature of the acquisition by the Cuban government or its interventor of the money owed to Tabacalera by Standard Cigar Company. It was simply not within the power of Cuba to accomplish this result. To this extent, we think it clear that whatever efforts were made by the Cuban government dealing with Tabacalera these acts are to be recognized under the Act of State Doctrine only insofar as they were able to come to complete fruition within the dominion of the Cuban government. **As to other matters, we conclude that they were not a "taking of property within its own territory" within the language used by the Supreme Court in Sabbatino. 392 F.2d at 715-16 (emphasis in original).**

Tabacalera and its predecessors teach that the federal courts are to take a pragmatic view of what constitutes an extraterritorial action by a foreign state. A foreign dissolution, if effective to destroy the "existence" of a foreign corporation and its claims to ownership of property in the United States, would allow the foreign sovereign to control (at least in a negative way) the disposition of valuable assets within the United States. As the Second Circuit observed in **Zwack, supra,** "it is clear that the Hungarian government could not directly seize the assets which have a situs in the state of the [American] forum. To allow it to do so indirectly through confiscation of firm ownership would be to give its decree extraterritorial effect and thereby emasculate the public policy of the forum against confiscation." 237 F.2d at 259. **Likewise, the expropriation and dissolution**

of Nueva Fabrica would not dictate affirmatively the right to enjoy the Malta Cristal trademark in this country, but the foreign sovereign's actions would dictate forfeiture of the United States trademark rights by the former owners of Nueva Fabrica. "[T]he former owner would be forever foreclosed from the benefits accruing from the good name of their product." **F. Palicio y Compania, supra**, 256 F.Supp. at 492.

Consequently, we hold that it is appropriate to treat the dissolution of Nueva Fabrica under Cuban law as a foreign decree purporting to expropriate property located within the United States, insofar as ownership of the Malta Cristal trademark is concerned. We hold that it is our duty to assess, as a matter of federal law, the compatibility with the laws and policy of this country of depriving the original owners of the Malta Cristal trademark of that property without compensating them for it. We conclude that such a deprivation without compensation would violate bedrock principles of this forum, embodied in the Fifth Amendment to the Constitution. **Republic of Iraq v. First National City Bank**, 2 Cir. 1965, 353 F.2d 47, **cert. den.**, 382 U.S. 1027; **F. Palicio y Compania, supra.**

III.

The conclusion does not necessarily explain how the former owners of Nueva Fabrica retained the right to dispose of Nueva Fabrica's United States trademark when their ship was sunk from beneath them. However, in tracing ownership of United States property cast adrift by the "extraordinary and basically unfair measure" of

expropriation without compensation, "our courts have developed a willingness to disregard technicalities in favor of equitable considerations." **Carl Zeiss Stiftung, supra,** 293 F.Supp. at 893. **We accept the traditional explanation for the continuing dominion of former owners over property with an American situs: the former owners retain equitable title to the American property. Zwack, supra,** 237 F.2d at 259; **Vladikavkazsky R. Co. v. N.Y. Trust Co.,** 263 N.Y. 369, 189 N.E. 456. Alternatively, it might be said that the dissolution is effective in the foreign state, but the **corporation retains a de facto existence in the United States beyond the territorial reach of the confiscating government.**

But we do not lay great stress on the subtleties of the concepts of continued dominion over property located within the United States. Our decision today, our prior decision in **Tabacalera,** and those of our brother courts as well are based upon the fundamental realization that to sustain the reasoning of the district court in the present case would, in practical terms, mean the end of territorial restriction on the Act of State doctrine.

IV.

We are mindful that **Sabbatino** could be interpreted as removing the traditional territorial restriction upon the Act of State doctrine, despite the Court's explicit language that its holding extended only to acts of a **foreign state "within its own territory." Sabbatino** was, after all, a suit by the National Bank of Cuba to recover monies located in the United States, Arguably, the location of the **Sabbatino** funds costs doubt on the notion that Acts of State entitled to unquestioning recognition

must "come to complete fruition within the foreign state," for Cuba was not "physically in a position to perform a fait accompli" to gain possession of the monies it sued for in the Southern District of New York.

But the argument confuses the perfection of an Act of State with the perfection of certain legal relationships arising from an Act of State. In **Sabbatino**, the expropriation of sugar constituting the Act of State "came to complete fruition within the dominion of the Cuban government." To deny Banco Nacional's claim to the proceeds of the expropriated property, a federal court would have to examine the propriety of the completed confiscation. In contrast, where the assets in dispute are situated outside the foreign state, as in **Tabacalera** and the present case (among others), the Act of State itself remains incomplete in the absence of acquiescence by the forum state. To paraphrase **Tabacalera**, there is something the forum state can do to prevent the expropriation, because the property is plainly within the physical control of the forum state.

This emphasis on the completion of the Act of State squares with the policy considerations articulated in the **Sabbatino** decision. The doctrine has "constitutional underpinnings", and its vitality "depends on its capacity to reflect the proper distribution of functions between the judicial and political branches of the government in matters bearing on foreign affairs." **Sabbatino, supra,** 376 U.S. at 427, S.Ct. at , 11 L.Ed.2d at 823. The obvious inability of a foreign state to complete an expropriation of property beyond its borders reduces the foreign state's expectations of dominion over that property; "the concept of territorial sovereignty is . . . deep

seated. . . ." **Sabbatino, supra,** 376 U.S. at 431-32. Consequently, the potential for offense to the foreign state is reduced, there is less danger that judicial disposition of the property will "vex the peace of nations," and there is less need for judicial deference to the foreign affairs competence of the other branches of government. See Note, 1966 Duke L.J. 828, 833.

The implications for American foreign relations flowing from judicial consideration of actions of foreign states purporting to affect American property are concededly different only in degree from the implications of judicial consideration of foreign acts done within the foreign territory. See Henkin, The Foreign Affairs Power of the Federal Courts: **Sabbatino,** 64 Colum.L. Rev. 805, 828. But we think the Supreme Court made clear in **Sabbatino** that it did not intend to "[lay] down or [reaffirm] an inflexible and all-encompassing rule in this case. . . ." **Sabbatino, supra,** 376 U.S. at 428. Indeed, the Court listed several variables to be weighed carefully in arriving at "the balance of relevant considerations" governing the participation of the federal courts in matters concerning actions taken by foreign nations. Among these variables was the sensitivity of a particular dispute:

> It is also evident that some aspects of international law touch more sharply on national nerves than do others; the less important the implications of an issue are for our foreign relations, the weaker the justification for exclusivity in the political branches.

Sabbatino, supra, 376 U.S. at 428.

The Supreme Court provides no explicit guide to this determination, but it cites with approval its statement in **Baker v. Carr** that "it is error to suppose that every case or controversy which touches upon foreign relations lies beyond judicial cognizance." **Baker v. Carr**, 1962, 369 U.S. 186, 1, 82 S.Ct. 691, 7 L.Ed.2d 663. The opinion in **Baker v. Carr** continues:

> Our cases in this field seem invariably to show a discriminating analysis of the particular question posed, in terms of the history of its management by the political branches, of its susceptibility to judicial handling in the light of its nature and posture in the specific case, and of the possible consequences of judicial action.

We recognize, of course, that the foreign relations aspect of the political question doctrine is not the same as the Act of State doctrine. Yet we think the considerations are sufficiently similar to justify brief consideration of the "sensitivity determinants" outlined in **Baker v. Carr** as we consider the specific facts of the case before us in the manner counseled by **Sabbatino.** First, as the cases demonstrate beyond question, the judicial branch has long exercised jurisdiction over property with an American situs sought to be expropriated by foreign states. **Baglin v. Cusenier**, for example, was decided more than sixty years ago. Second, we note that the nature and posture of the present case is appropriate for judicial disposition. The dispute between the parties involves traditional issues of federal trademark law and its is fully within the power of the court to execute whatever decision it may deem proper. In addition, as we have already stated, a decision on the merits of this controversy need

not question or even address the propriety of those actions taken by the Cuban Government within Cuba affecting the property of Nueva Fabrica located there and the corporate form of Nueva Fabrica. Finally, we note that there is no reason to fear the consequence of a decision in this case for relations between Cuba and the United States. Unlike other litigation, including **Sabbatino**, growing out of the economic policies of the Castro regime, neither the Cuban Government, nor any arm of that government, nor any party in privity with the Cuban government is a litigant or expresses any interest in the outcome of this litigation. Any offense to the Cuban state is purely hypothetical. Moreover, the posture of the Cuban government during recent litigation in another Circuit involving extra-territorial assets leads us to have even further doubts that this issue is one which might possibly inflame or embarrass the conduct of American foreign relations with Cuba.[4]

V.

We say nothing of the other issues raised in the pleadings below. Nor do we address ourselves to problems concerning the right of any particular individual or group of individuals to act in the United States on behalf

[4]See Banco Nacional de Cuba v. First National City Bank, S.D.N.Y. 1967, 270 F.Supp. 1004, *rev'd*, 2 Cir. 1970, 431 F.2d 394, *remanded for further consideration*, 400 U.C.. 1019, 91 S.Ct. 581, 27 L.Ed.2d 630, *prior reversal reaffirmed*, 2 Cir. 1971, 442 F.2d 530, *cert. granted*, 40 U.S.L.W. 3161 (Oct. 12, 1971). As the original district court opinion states in part V, 270 F. Supp. at 1011, Banco Nacional laid claim in its original complaint to funds deposited in accounts in New York by Cuban banks whose assets, through confiscation, were declared to be the property of Banco Nacional. The district court "speedily disposed of" this claim, citing *Republic of Iraq*, *supra*, and *F. Palicio v. Compania*, *supra*. Banco Nacional abandoned the cause of action on appeal. 431 F.2d at 394.

of an enterprise dissolved by a foreign sovereign. Compare **Carl Zeiss Stiftung.** There is no suggestion of any such dispute on the record before us today. We hold only that the expropriation of Nueva Fabrica de Hielo, S.A., and the resulting dissolution of the corporation under Cuban law neither deprived the acknowledged former owners and fiduciaries of the corporation of the right to make an effective assignment of the dissolved corporation's United States trademark nor cancelled that trademark.

REVERSED AND REMANDED for further proceedings.

SIMPSON, Circuit Judge, dissenting:

I would affirm this case on the basis that when the assets of Nueva Fabrica de Hielo, S.A., were confiscated by the government of Cuba in October, 1960, that corporation was, under Cuban law, dissolved. The purported assignment of the trademark by the non-existent Cuban corporation in 1965 was a nullity. The mark "Malta Cristal" was in the public domain when the appellee commenced using it. The suit was properly dismissed by the trial court on the ground that neither appellant had standing to maintain it.

With deference to the contrary view so well set forth for the majority by Judge Wisdom, I dissent.

PETITION FOR REHEARING IN BANC

Upon reversal, Petitioner herein did file its timely motion for a rehearing en banc. The allegations and conclusions of law upon which said motion was submitted is as follows:

COMES NOW, Petitioner CAWY BOTTLING CO., INC., by and through its undersigned attorneys, and files this Petition and as grounds therefor represent to this honorable court as follows:

(1) That this Petition is authorized by Rule 35 of the Federal Rules of Appellate Procedure, and Rule 12 of this honorable court.

(2) That this is a Petition for a Re-Hearing of Case No. 71-1532 pursuant to opinion and judgment rendered on May 23, 1972.

(3) That the issues as resolved by this honorable court in its opinion dated May 23, 1972, are vital to future legal proceedings and inconsistent with recognized principles of corporate law, and more particularly where foreign corporations which have been dissolved, either by operation of law, confiscation or expropriation, but having remaining property interests in the United States may be involved. Several important questions may be raised:

(a) **What is the period of time within which such "corporate bodies" shall be allowed to function or have "de facto" capacity as would make their acts valid?**

(b) Are corporations such as **Nueva Fabrica de Hielo S.A.** subject to suit for the recovery of assets, debts, etc. as may exist in the United States? If so, how could jurisdiction be obtained by the court of the forum?

(c) **Is a dissolved corporation totally inactive for a period of five (5) years, such as Nueva Fabrica de Hielo S.A., the proper subject of equitable relief in the face of such negligence?**

(d) This honorable court has misconstrued SABBATINO when on the one hand concedes that Nueva Fabrica de Hielo S.A. has been dissolved, and on the other hand **legislates** such corporation into posthumous existence by granting a "de facto" status after five (5) consecutive years.

We respectfully submit that, had the above matters of fact and law been considered prior to the opinion and judgment, a different result would have followed. **National Labor Relations Board vs. Brown and Root, Inc.,** 206 F.2d 73, C.A. 8th. 1953.

ARGUMENT

(a)

"What is the period of time within which such corporate bodies shall be allowed to function or have "de facto" capacity as would make their acts valid?"

It is true that de facto corporations may be permitted to exist, and almost universally such status is recognized.

However, such existence relates only to the time when the incorporators have agreed to become a corporation, and the time when the Articles of Incorporation have been filed with such Department of the state where incorporation is sought, as would make the association a "de jure" corporation.

A research of corporate law in the several states would disclose that no specific period of time is accorded to "de facto" status. However, all jurisdictions have legislated and enacted laws in reference to the fate of dissolved corporations. The state of Florida has legislated as follows:

Chapter 612.47 Florida Statutes:

> "All corporations, whether they expire by their own limitations, or are **otherwise dissolved** [emphasis added] shall nevertheless be continued for the term of three years from such expiration or dissolution bodies corporate for the purpose of prosecuting and defending by or against them and of enabling them gradually to settle and close their business, to dispose of and **conevy their property** [emphasis added] and to divide their assets, but not for the purpose of continuing the business for which said corporation shall have been established."

The Florida Statute above mentioned is clear in that, dissolved corporations are given a maximum period of three years to wind up their affairs and either comply with local laws or waive all rights to semi-legal existence. In the case at bar, **the assignment executed by Nueva**

Fabrica de Hielo S.A. as would confer standing to sue, was made five (5) years after dissolution of the company.

It would further appear from the record that former Counsel for Nueva Fabrica de Hielo S.A. "Dr. de la Carrera" was aware of such legal limitations when he so informed Mr. Blanco-Herrera:

> "Counsel for dissolved corporation was of the opinion that it had been dissolved and could not function legally." [at page 9 of the opinion and judgment]

The State of Florida [which happens to be the forum state] and all jurisdictions have legislated to the effect that until compliance is had with local statutes no action may be maintained:

Florida Statute 613.04 reads:

> "The failure of any such foreign corporation to comply with the provisions of this Chapter shall not affect the validity of any contract with such foreign corporation, **but no action shall be maintained or recovery had in any of the courts of this state by any such corporation, or its successors or assigns, so long as such foreign corporation fails to comply with the provisions of this Chapter.**"

The aforesaid statute 613.07 defines a corporation as: **"A foreign corporation is defined to be a corporation incorporated by or under the laws of any other State or territory or any other country. . . ."**

It is respectfully submitted to this honorable court that the effect of the holding, opinion and judgment entered on May 23, 1972, is to vest dissolved corporations, through a de facto status, with unlimited corporate existence. It is conceded and therefore unquestioned that the power of this court to examine the validity of a statute or the settling of controverted points, is absolute. However, the province of legislating a corporate statute into law through stare-decisis must be denied to this court and all courts of the land as an infringement of basic constitutional pronouncements set forth almost 200 years ago.

(b)

> "Are corporations such as Nueva Fabrica de Hielo S.A. subject to suit for the recovery of debts, assets, etc. against it, as may exist in the United States? If so how could jurisdiction be obtained by the forum court?

We think not. As non-existing bodies, there is no law in the land that would vest a court with jurisdiction over the corporate person. In the case at bar the corporation had been dissolved five years. The three year period to "covey property" had run out beyond the time that such might have been entitled to execute acts as would be recognizable by the law or equity. The members of such de facto corporations as Nueva Fabrica de Hielo S.A. could very easily evade service of process or have same quashed on the basis that such corporation had ceased to exist in Cuba [or any other country] and that it had not qualified to do business in the state where relief was sought. Therefore, we respectfully submit to this honor-

able court that its holding would open the way to many inequities in that no remedy could be secured by offended third parties.

(c)

"Is a dissolved corporation, totally inactive for a period of five years such as Nueva Fabrica de Hielo S.A. the proper subject of equitable relief in the face of such negligence?

We think not. "Equity will aid the diligent." Nueva Fabrica de Hielo S.A. in the long five (5) years between dissolution and the "assignment" has shown gross negligence in connection with this matter as would foreclose any equitable remedy. We would further submit and concede that, equity should be invoked in the aid of bodies corporate that have **undertaken timely efforts** to preserve the corporate existence and have further accomplished business continuity as a pre-requisite to the invocation of principles of equity: **Compare Cia. Ron Bacardi S.A. vs. Bank of Nova Scotia,**

"In the case supra, the members of the Board of Directors, immediately upon arrival to the United States, held a meeting in Miami, Florida. This meeting took place on November 25, 1960, a little over one month after dissolution. A shareholders' meeting was called for and held on February 15, 1961, at which meeting 97% of all the stock issued and outstanding was present."

"Bacardi further proceeded to qualify the Cuban company under the laws of the state of New

York, as early as February 20, 1961, to do business as successor in interest to the Cuban corporation."

"Bacardi continued to and did sell its products, uninterruptedly, in the United States market thereafter."

The case of **Merilaid & Co. vs. Chase National Bank**, 189 Miss. 285 (1947) is perhaps the best example of the application of equitable principles. Mr. Justice Koch was confronted with a factual situation almost identical to the facts of the **Bacardi** case. There the Plaintiff was a corporation organized under Estonian law which had funds on deposit with the Defendant bank in New York, at a time just prior to the incorporation of Estonia to the Union of Soviet Socialist Republics. There was a nationalization decree. The court, in holding that the Plaintiff corporation had a continuing corporate capacity, said (Pg. 287):

"The Estonian Soviet Socialist Republic by its decree placed the Plaintiff corporation in jeopardy. The Directors and shareholders were forced to change the seat of the corporation in order to continue its business and conserve its assets. Irregularities in procedure in so doing are not enough to render their efforts void. All **that could be done to conform to the usual formalities** was done. A majority of the shareholders approved the transfer to Sweden. They acted on behalf of the corporation. The good faith of the Directors elected by them is not questioned. There is every indication that the Directors will continue to act in the best interests of the corporation. The cor-

poration was continued in business and its property protected in the only manner feasible at the time. **These conditions constitute the basis on which** this court holds that the Directors and shareholders were empowered to act as they did."

It would be interesting to compare the aforesaid case with the acts of Respondent in this case, to-wit: Blanco Herrera, in behalf of **Nueva Fabrica de Hielo S.A. assigned the only asset of the corporation to Maltina Corporation.** The latter company was owned exclusively by himself and his wife. **These admissions are contained in the transcript of the trial proceedings.** Nueva Fabrica de Hielo S.A. was not continued in business. As a matter of fact, **the de facto corporation still continues the same as when the assignment was executed. No trust fund was ever created for the benefit of the other stockholders left in Cuba** and Maltina Corporation was by no means the fiduciary of the defunct company or stockholders thereof. **There is no bank account or savings deposited anywhere in the country as would account for the moneys paid to the corporation.** It would appear that Mr. Blanco Herrera himself had the use of such funds, if in fact there were any.

It is evident that none of the qualifications as would entitle Nueva Fabrica de Hielo S.A. to receive equitable relief is present in the case at bar. If the trademark "Cristal" was such a valuable asset, why was compliance never had with local laws which would have preserved the corporate status and thus capacity to sue?

(d)

"This honorable court has misconstrued SABBATINO when on the one hand, concedes that Nueva

> Fabrica de Hielo S.A. has been dissolved, and on the other hand legislates such corporation into posthumous existence by granting a 'de facto' status, after five consecutive years."

We respectfully submit to this court that when it conceded dissolution of the Cuban company by Cuban law it settled the question in favor of the trial court when the said trial court held **"that it is not the existence of the thing owned which is here drawn into question, but rather the existence of the owner." Ballantine on Corporations, revised Edition,** establishes:

At section 315, Page 727,

> "In the absence of statutory provisions to the contrary a corporation, after it has been dissolved, can neither sue nor be sued, and all actions or proceedings commenced by or against it prior to its dissolution are abated." **U.S. vs. Safeway Stores, Inc.,** 140 F.2d 834. There must be some statutory authority for the prolongation or extension of its existence and capacity to sue for winding up and litigation purposes. 36 Col. La Review 320; 16 Fletcher Sections 8139, 8142, 8143, 8147 and 8148.

The most important steps in connection with dissolution are the proceedings for liquidation and winding up of the corporate affairs during the course of which the assets will or should be collected and realized upon, the rights and claims of creditors will be settled or provided for and a distribution will be made of the remaining assets to the shareholders entitled. The statutes of many states

are seriously defective in relation to winding up proceedings. **The problem arises as to how the rights of creditors and shareholders are to be protected and whether the title to the** property shall remain in the corporation, continued for winding up purposes or whether it shall automatically pass to Directors as Trustees and liquidators, or to shareholders, subject to the power of the liquidators to make distribution.

The supposed analogy between the life and death of a natural person and the life and dissolution of a corporation has often been carried too far. Thus it has been said in a federal case, "the result of dissolution can not be distinguished from the death of a natural person in its effect . . . the death of an individual and the administration of his estate, and the dissolution of a corporation and the winding up of its affairs, are the same in principle." **United States vs. Safeway Stores, Inc.,** 140 F.2d 834, 836, 840. See also **Brunn vs. Katz Drug Co., Inc.,** 351 Mo. 731; 173 SW.2d 906.

We further submit that it is illusory to treat the dissolution of Nueva Fabrica de Hielo S.A. under Cuban law "as a foreign decree purporting to expropriate property located within the United States insofar as the ownership of Malta Cristal trademark is concerned." We are not here faced with an action by the sovereign who dissolved the corporation, trying to extend its powers extraterritorially.

At page 14 of the opinion of this honorable court, one can readily see the intent of the tribunal to afford relief upon equitable grounds, however, such equitable grounds we submit with utmost respect, are non-existing in the

case at bar and in line with the facts. It is also very interesting to note the language of the court when it says, **"This conclusion does not necessarily explain how the former owners of Nueva Fabrica retained the right to dispose of Nueva Fabrica's United States Trademark when their ship was sunk from beneath them. . . ."** We must, at this juncture, remind this court that such is the precise question involved in this appeal. We further submit that the trial court correctly passed upon this question and explained at length why the former owners of Nueva Fabrica could not retain its rights. In the event that equity is to be invoked for the benefit of all participants, the trademark "Cristal" should be deposited in the hands of a trustee as may be appointed by a court for distribution to the rightful owners [the totallity of the shareholders and not a few] upon such time as all such owners can be located.

In case at bar, the Cuban state has shown no interest, nor has it delegated powers upon third parties "seeking to cross the borders" of the sovereign in order to take over the mark, in its behalf. The question is simple, Nueva Fabrica de Hielo S.A. and the shareholders thereof "when their ship was sunk from beneath them" lost all rights to the trademark in question, at law and also in equity through their willful neglect to have made an effort to retain such rights of ownership. Qualification of the dissolved corporation would have done it. They were assisted by their own Counsel at all times prior to the execution of the assignment sought to be invalidated herein. It would appear that the advice of counsel was wrong.

CONCLUSION

Therefore, considering the premises herein, the applicable law to the particular facts and the foreign law cited, we submit that the Writ should be granted.

Respectfully submitted,

LOPEZ, HANNON & HARRIS
Attorneys for Petitioner

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Petition for a Writ of Certiorari has been mailed to:

J. W. Gipple, Esquire
Gipple and Jacobson
1320 - 19th Street
Washington, D.C. 20036

Fowler, White, Humkey, Burnett, Hurley & Banick
Attorneys at Law
Miami, Florida 33130

this 10th day of October, 1972.

PETER M. LOPEZ

APPENDIX

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

NO. 70-414-Civ-CF

MALTINA CORPORATION and
JULIO BLANCO-HERRERA,

Plaintiffs,

vs.

CAWY BOTTLING CO., INC.,

Defendant.

[Filed Jan. 15, 1971]

FINAL JUDGMENT

In accordance with the Memorandum Opinion entered herein January 7, 1971, it is thereupon

ORDERED and ADJUDGED as follows:

1. United States Trademark Registration No. 652,217, Class No. 48, issued September 24, 1957, to Nueva Fabrica de Hielo, S.A., be and the same is hereby cancelled, together with the Assignment thereof recorded in the United States Patent Office October 22, 1965.

2. The Clerk of this Court shall send a certified copy of this Final Judgment to the Commissioner of Patents, who shall make appropriate entry upon the records of the Patent Office, pursuant to 15 U.S.C.§1119.

3. Each side shall bear its own attorney's fees.

4. Plaintiffs shall pay all taxable costs.

5. All other forms of relief sought in the complaint and counterclaim are hereby denied.

DONE and ORDERED at Miami, Florida, this 13 day of January, 1971.

CHARLES B. FULTON

Chief Judge

cc: Fleit, Gipple & Jacobson
Fowler, White, Collins, Gillen, Humkey & Trenam
Peter M. Lopez, Esquire

[TITLE OMITTED]

[Filed Jan. 8, 1971]

MEMORANDUM OPINION

This is an action upon a claim for trademark infringement and unfair competition. The Court has jurisdiction of the cause pursuant to Title 28, United States Code, Section 1338.

The parties were able to agree, both in the pretrial stipulation and at trial, upon much of the factual background of this dispute. The plaintiff, Maltina Corporation, claims to be a successor in interest to a Cuban corporation, Nueva Fabrica de Hielo, S.A., which did business

as Cerveceria La Tropical, producing and distributing beer and malta from 1885, until its assets were confiscated by Cuban Law No. 890, on October 13, 1960. The plaintiff Julio Blanco-Herrera was President of Nueva Fabrica de Hielo, S.A. from approximately 1954 until the confiscation.

Nueva Fabrica de Hielo, S.A., manufactured beer and cereal malt beverages at its Tropical Brewery. The company used the trademarks "Cristal," "Tropical," "Tropical 50," and "Malta Cristal." The beverages were distributed throughout Cuba, and from 1955 until the 1960 confiscation were exported in substantial quantities to Florida and other parts of the United States.

One of the main Cristal products was a malta. "Malta" is a Spanish word denoting a dark brown, non-alcoholic carbonated beverage flavored with malt and brewed somewhat as beer. Nueva Fabrica de Hielo, S.A., registered the trademark "Cerveza Cristal & design" in the United States Patent Office on September 24, 1957.

A controlling 55% interest in the corporation was owned by the family of the President, Julio Blanco-Herrera. The remaining principal stockholders were the Gelats family, who held about 15% of the stock. The corporation had an Executive Committee which governed its day to day operations. At the time of the confiscation, this committee consisted of the following persons:

Julio Blanco Herrera, President

Ramon Blanco Herrera, First Vice President
(Uncle of Julio Blanco Herrera)

Narciso Macia, Second Vice President
(Uncle of Julio Blanco Herrera)

Cosme Blanco Herrera, Third Vice President
(Cousin of Julio Blanco Herrera)

Dr. Antonio de la Carrera, Secretary and
General Counsel

Jose Hevia, Inspector General of Brewery
Rafael Baguer, General Manager

This Executive Committee reported to a Board of Directors, but the committee had substantial control over daily operations of the business.

On October 13, 1960, the Cuban Government confiscated all assets of Nueva Fabrica de Hielo, S.A. Later that month, under mounting political pressure exerted by the Castro regime, Julio Blanco-Herrera and the entire Executive Committee except Ramon Blanco Herrera fled to the United States. Ramon Blanco Herrera was ill, and remained in Cuba until his death.

Sometime during 1961, the Executive Committee met in this country to discuss the affairs of Nueva Fabrica de Hielo, S.A. At this meeting certain remaining assets of the company were discussed including a small account with the Morgan Trust Company of New York, an account in the First National Bank of New York and a debt owed by a company in Owens, Illinois. These monies were subsequently recovered and placed in the Dade Federal Savings & Loan Association of Miami. The committee discussed the U.S. trademark and decided to attempt to retain ownership and use of the mark because of the great influx of Cuban nationals who are familiar with the Cristal labels. The Committee decided to attempt to obtain

the backing of a responsible brewery which would lend its support to a malta made with the Cuban company's formula.

Through a mutual friend, Julio Blanco-Herrera was introduced to Jerry Hoffberger, president of National Brewing Company, in 1961 or 1962, at a time when that company had just acquired the Regal Brewery of Miami and was taking over operation of that brewery. Blanco-Herrera proposed that the Regal Brewery produce a malta using the Cristal formula and label and was informed that this proposal would have to be considered by the National Brewery Company main office in Baltimore, Maryland.

Sometime during 1962, Dr. Antonio de la Carrera, as General Counsel for Nueva Fabrica de Hielo, S.A., informed the Executive Committee that the trademark "Cerveza Cristal," registered in 1957, would shortly need to be renewed under the provisions of 15 U.S.C. §1058(a), which provides as follows:

> Each certificate of registration shall remain in force for twenty years: Provided, That the registration of any mark under the provisions of this chapter shall be canceled by the Commissioner at the end of six years following its date, unless within one year next preceding the expiration of such six years the registrant shall file in the Patent Office an affidavit showing that said mark is still in use or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark. Special notice of the re-

quirement for such affidavit shall be attached to each certificate of registration.

Upon the advice of a Washington, D.C., law firm which had traditionally handled the corporation's trademarks, the Executive Committee had labels for their products Malta Cristal and Cerveza Cristal printed in Miami. Also on advice of counsel, Blanco Herrera executed an affidavit dated June 6, 1962, stating that the trademark "Cerveza Cristal & design" was still in use at that time and owned by Nueva Fabrica de Hielo, S.A., doing business as Cerveceria La Tropical. Blanco-Herrera testified that he signed the affidavit on advice of counsel, without reading it. He testified that when one signs a continuation of a trademark registration in Cuba it does not involve use of the mark, and that counsel did not explain the meaning of the affidavit to him.

Late in 1962, Blanco-Herrera was contacted by Cecil Somerall, manager of Regal Brewery, who requested him to take charge of the distribution of a new product to be called "Malta Regal." Blanco-Herrera renewed his proposal that the Cristal label be used, but was informed that he must supply $25,000 before National Brewing Company would support production of a brand name not its own. Blanco-Herrera undertook to raise the needed $25,000, but in the meantime, during 1963, he assumed charge over distribution of Malta Regal, which position he still retains. Also during 1963, Blanco Herrera and his wife formed the Maltina Corporation to distribute Malta Regal. The Blanco-Herreras owned all stock of Maltina Corporation except one share. Blanco Herrera and Dr. de la Carrera testified that the Executive Committee of Nueva Fabrica de Hielo believed that the Cuban corporation

could not function legally in the United States. Therefore, to preserve the cristal trademark, Blanco-Herrera, as President of the Cuban corporation, assigned the mark, together with the good will of the business, to Maltina corporation. This assignment was recorded at the United States Patent Office October 22, 1965.

While marketing Malta Regal, Blanco-Herrera continued his efforts to find backing for Malta Cristal, both from National Brewing Company and other sources. Among others, an attempt was made to secure help from Jack's Brewery in New Orleans, Louisiana. During the period from 1965 to 1967, similar efforts were made with a group of investors from Costa Rica. In 1967, Robert W. Kroeger, then Manager and now Vice President of National Brewing Company, became interested in Blanco-Herrera's efforts to produce a malta under the Cristal label. National Brewing Company undertook a study of Blanco-Herrera's proposals, which ultimately resulted in production of a malta by National Brewing Company under the Cristal label in January of 1969. Blanco-Herrera testified that from the time he came to this Country in late 1960 until he produced a malta under the Cristal label in January of 1969, he never had any intention to abandon the trademark, but instead made every effort to market his product as expeditiously as possible without sacrificing its quality.

Vicente Cossio, as President of defendant Cawy Bottling Company testified that before producing a malta under the Malta Cristal label, his group undertook to discover whether that label was being used in the market and ascertained that it was not. In October, 1967, Cawy at-

tempted to register the mark with the United States Patent Office, but the application was rejected because of plaintiffs' prior registration. Cawy did succeed in having the trademark "Malta Cristal" registered in the office of the Secretary of State of Florida on October 26, 1967. Cossio testified that the Cawy malta product was first marketed in February, 1968. On February 12, 1969, Cawy filed a petition with the United States Patent Office seeking to have plaintiffs' registration cancelled. Maltina Corporation answered this Petition, but upon stipulation of all parties those proceedings were stayed so that a federal lawsuit could be filed and resolved.

This is essentially an action upon a claim for trademark infringement and unfair competition. Plaintiffs' remedies, if any, are contained in 15 U.S.C. §§1114-1118. Plaintiffs seek injunctive relief pursuant to §1116, damages, including treble damages, pursuant to §1117, destruction of all infringing articles pursuant to §1118, and an accounting.

The defendant in effect concedes that plaintiffs original 1957 U.S. trademark "Cerveza Cristal & design" was valid. Ordinarily, such a mark and the plaintiffs' right to exclusive use thereof would have become incontestable September 24, 1962, five years from the registration date. 15 U.S.C. §1065. However, such a trademark can be contested by a verified petition to cancel the registration on the grounds that it has been abandoned or was obtained fraudulently. 15 U.S.C. §1064. In addition, the United States District Courts have jurisdiction to determine disputes such as this, involving among other issues, the validity of the registration.

The defendant has pleaded three separate defenses to this action, as stated below.

1. When the assets of Nueva Fabrica de Hielo, S.A., were confiscated in October, 1960, that corporation was dissolved under Cuban law, and therefore the assignment of the trademark by the Cuban corporation to Maltina Corporation in 1965 was invalid.

2. If the assignment was valid, the plaintiffs abandoned the trademark by nonuse from 1960 to 1969. 15 U.S.C. §1115(b)(2).

3. The registration or incontestable right to use the mark was obtained fraudulently, in that the plaintiff corporation filed a false affidavit with the U.S. Patent office in 1963 claiming that the trademark was then in use. 15 U.S.C. §1115(a)(1).

In addition to its defenses against plaintiffs' main action, the defendant has asserted a counterclaim charging that it has used the trademark "Malta Cristal" since October of 1967 and "is the owner thereof at common law," and that the plaintiffs have been infringing the mark since 1969. The counterclaim requests injunctive relief, an accounting, profits, costs, and attorneys' fees. In addition, the counterclaim seeks to have this Court cancel plaintiffs' trademark registration, for fraud in connection with the 1963 continuation affidavit. 15 U.S.C. §1119.

The first defense is based upon the theory that Nueva Fabrica de Hielo, S.A., was dissolved by the effect of Cuban Law No. 890, and thereby rendered incapable of making a valid assignment of the Cristal trademark to plaintiffs.

Counsel for both sides have submitted a copy of this law and a stipulated English translation for use in this case. Law 890 begins with a lengthy revolutionary policy statement and continues, in pertinent part, as follows:

> Article 1. — The nationalization, through forced expropriation, of all commercial and industrial enterprises, as well as factories, warehouses, depositories and other goods and rights incorporated in them, which are owned by the following natural and juridic persons, is ordered:
>
> • • •
>
> GROUP "C"
>
> Alcoholic Beverages
>
> 1.—Cia Ron Bacardi, S.A.
>
> 2.—Cerveceria Modelo, S.A.
>
> 3.—Cerveceria Central, S.A.
>
> 4.—Cia Cervecera International, S.A.
>
> 5.—Nueva Fabrica de Hielo, S.A.
>
> 6.—Cia Cervecera de Las Antillas, S.A.
>
> • • •
>
> Article 2. — All the goods, rights and chose in actions of the enterprises listed in Article 1 of this Law are adjudicated, thereof to the Cuban State, transferring liabilities, and con[illegible]clared

as subrogated in the place and stead of the national or juridic persons owners of the referred to enterprises.

* * *

Article 7. — The means and forms of payment of the indemnification that belongs to the natural or juridic persons affected by the expropriation ordered by this Law shall be regulated through an ulterior law.

To that effect, the Central Committee on Planification shall present to the Council of Ministers, within the shortest possible term the corresponding bill.

* * *

At a hearing on the motion of the defendant for summary judgment, Mario Goderich was presented by the defense as a witness with an expertise in Cuban law. Goderich was a qualified lawyer in Cuba and is currently licensed to practice law in Florida. He is head librarian for the University of Miami School of Law. This witness testified that the purpose and legal effect of Cuban Law 890 was to transfer all assets of the corporations affected to the Cuban Government. This has the further legal effect under Article 221 of the Commercial Code [illegible] corporation is dissolved at a corporate meeting under Cuban law after such meeting officers and directors retain no powers, as all corporate rights become vested in the Cuban government.

The testimony of this expert upon the effect of Law 890 under Cuban jurisprudence was virtually uncontradicted. Plaintiffs rely heavily upon Compania Ron Bacardi, S.A. v. Bank of Nova Scotia, 193 F. Supp. 814 (S.D.N.Y. 1961). In that case the Cuban Bacardi Corporation, whose assets were also confiscated under Cuban Law 890, sued a New York bank to determine the right of the corporation to sums and securities deposited in that bank. The District Court for the Southern District of New York held that the Cuban expropriation could not affect assets located in the United States. The Court stated that Bacardi's corporate existence could not be effectively challenged because ". . . the public policy of our nation is antithetical to the recognition of the Cuban government's confiscatory decree with respect to property outside Cuba . . .". This Court would like to adopt the reasoning of the Bacardi case. However, subsequent to the Bacardi opinion, the United States Supreme Court decided Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398 (1964), in which it held that the Act of State Doctrine prevents courts of the United States from sitting in judgment on the acts of the government of another nation, done within its own territory. The Cuban Government enacted Law 890, relative to certain specified Cuban corporations. The Act of State Doctrine requires Courts of this Country to look to Cuban law to determine the effect of Law 890. Expert testimony in this case indicates that under Cuban jurisprudence, Law 890, in conjunction with the Cuban Commercial Code, acted to dissolve the plaintiff corporation. This being so, the 1965 assignment of the trademark by Blanco-Herrera as President of Nueva Fabrica de Hielo, S.A., to Maltina Corporation, was invalid. The corporation was a product of Cuban law and had been dissolved by Cuban law; therefore, having no corporate existence, it could not make a valid

assignment. This would be true even if a United States trademark were a res whose situs could never leave this Country, since it is not the existence of the thing owned which is here drawn in question, but rather the existence of the owner. Plaintiffs have cited Tabacalera Severiano Jorge, S.A. v. Standard Cigar Co., 392 F.2d 706 (5 Cir. 1968) in support of their theory that Sabbatino does not apply when the res in question is physically without the territorial jurisdiction of Cuba. However, in that case the Cuban law involved did not expropriate all assets of the Cuban corporation. Instead, the Cuban government merely "intervened" in the corporation for a one year period. That case discussed at some length the meaning of such an intervention, but it suffices for this discussion to note that the Court concluded that "intervention" is much less han confiscation.

It is apparent under the foregoing cases, that the defendant is correct in the reasoning of its first defense to this lawsuit. Remedies are provided under the U.S. Code for registrants whose trademarks have been infringed. This trademark was registered by Nueva Fabrica de Hielo, S.A., an entity which no longer exists. The purported assignment to Maltina Corporation was invalid for lack of existence of an assignor. Neither of the two plaintiffs in this lawsuit have standing to seek the relief prayed for.

Having determined that the assignment of this trademark was invalid, it is unnecessary for the Court to determine the remaining two defense theories. However, the counter-claim must be resolved. The defendant first contends that it has used the trademark "Malta Cristal" since

October of 1967, and "is the owner thereof at common law," and that plaintiffs have been infringing the mark since 1969. The defendant has proffered no legal support for its theory of common law trademark infringement. Nor was any evidence presented to support a claim that the few bottles of Malta Cristal produced by the plaintiffs since 1969 have in any way damaged the defendant. Therefore, relief on this ground will be denied. Finally, the defendant seeks to have this Court cancel plaintiffs' trademark registration under 15 U.S.C. §1119, for fraud in connection with the 1963 continuation affidavit. Although no formal findings will be made in this connection, the Court is unpersuaded that plaintiffs possessed any fraudulent intent with respect to the continuation affidavit. Further, the Court believes that this aspect of the counterclaim has been rendered moot by the finding that the assignment of the trademark to Maltina Corporation was invalid. Without the necessity of a formal finding of fraud, this Court has determined that Trademark Registration No. 652,217, Class No. 48, issued September 24, 1957, has been effectively cancelled by operation of Cuban law which has dissolved the Corporate Registrant. As provided by 15 U.S.C. §1119, a certified copy of the Judgment to be entered herein will be sent to the Commissioner who shall make appropriate entry upon the records of the Patent Office.

Before concluding this opinion, the Court must express its distaste for the conclusion it has been constrained to reach under the law. The Court was impressed by Julio Blanco-Herrera as a forthright, honest businessman beset by trouble not of his own making.

This memorandum opinion shall serve as findings of fact and conclusions of law. Counsel for the defendant shall forthwith prepare and submit a form of final judgment in conformity herewith.

ENTERED at Miami, Florida, this 7 day of January, 1971.

/s/ Charles B. Fulton

Chief Judge

cc: Fleit, Gipple & Jacobson
Fowler, White, Collins, Gillen, Humkey & Trenam
Peter M. Lopez, Esquire

Before WISDOM, COLEMAN and SIMPSON, Circuit Judges.

PER CURIAM: The Petition for Rehearing is DENIED and no member of this panel nor Judge in regular active service on the Court having requested that the Court be polled on rehearing en banc, (Rule 35 Federal Rules of Appellate Procedure; Local Fifth Circuit Rule 12) the Petition for Rehearing En Banc is DENIED.

Judge Simpson dissents for the reasons stated in his dissent to the original opinion to the panel.